



uBuhlebezwe Local Municipality

(Registration number KZN 434)

Trading as uBuhlebezwe Local Municipality

Annual Financial Statements for the year ended 30 June 2019

General Information

Mayoral Committee

His worship, The Mayor

Z D Nxumalo

Cllr.Ngubo E.B (Deputy Mayor)

Councillors

Cllr.Mngoyama C.Z (Speaker)

Cllr. Shabalala Z.M

Cllr. Mkhize T.T

Cllr.Caluza B. M

Cllr.Ndlovu P

Cllr.Dlamini T.C.

Cllr.Ndlovu M.C

Cllr. Mkhize V.C

Cllr. Jili N.Z

Cllr. Jili H.C

Cllr.Ngcongco G. J

Cllr.Maluleka S.P

Cllr.Radebe N.G

Cllr. Khumalo Z.C

Cllr. Mdunge N.M

Cllr.Mpungose P.B

Cllr. Msimango S.M

Cllr.Ntabeni C.N

Cllr. Nxumalo T.B

Cllr. Shoba E.T

Cllr. Khuboni B.M

Cllr. Nkontwana M.C

Cllr. Zulu B.R.

Cllr.Nduli B. R

Cllr.Davids L.M

Grading of local authority

Grade 3 (In terms of Remuneration of Public Office Bearer)

Accounting Officer

G.M Sineke

Chief Finance Officer (CFO)

Ms NK Sibobi (Resigned 25 May 2019)

Ms MP Mbatha (Acting from 01 June 2019)

Registered office

Ubuhlebezwe Local Municipality

Margaret Street

Ixopo

3276

Business Address

29 Margaret Street

Ixopo

3276

Postal Address

P.O. Box 132

Ixopo

3276

Bankers

First National Bank

Auditors

Auditor General (S.A)

uBuhlebezwe Local Municipality

(Registration number KZN 434)

Trading as uBuhlebezwe Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Index

The reports and statements set out below comprise the Annual Financial Statements presented to the Ubuhlebezwe Local Municipality:

	Page
Accounting Officer's Responsibilities and Approval	3
Statement of Financial Position	4
Statement of Financial Performance	5
Statement of Changes in Net Assets	6
Cash Flow Statement	7
Statement of Comparison of Budget and Actual Amounts	8 - 9
Appropriation Statement	10 - 11
Accounting Policies	12 - 28
Notes to the Annual Financial Statements	29 - 56

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
EPWP	Expended Publics Works Programme
SDL	Skills Development Levies
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
FMG	Finance Management Grant
mSCOA	Municipal Standard Chart of Accounts
MPRA	Municipal Property Rates Act

uBuhlebezwe Local Municipality

(Registration number KZN 434)

Trading as uBuhlebezwe Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2020 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently auditing and reporting on the municipality's annual financial statements set out on pages 4 to 56, which have been prepared on the going concern basis, were approved by the accounting officer on 30 August 2019 and were signed on its behalf by:

G.M Sineke
Accounting Officer

uBuhlebezwe Local Municipality

(Registration number KZN 434)

Trading as uBuhlebezwe Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Statement of Financial Position as at 30 June 2019

Figures in Rand	Note(s)	2019	2018 Restated*
ASSETS			
Current Assets			
Inventories	3	1 555 474	2 343 822
VAT receivable	4	5 300 118	4 602 892
Receivables from non-exchange transactions	5	12 490 579	3 495 566
Receivables from exchange transactions	6	9 189 736	5 922 815
Prepayments	7	-	675 156
Cash and cash equivalents	8	155 455 064	102 277 331
Investments	9	-	32 542 736
		183 990 971	151 860 318
Non-Current Assets			
Investment property	10	19 979 810	20 270 275
Property, plant and equipment	11	270 669 055	251 702 032
Intangible assets	12	2 284 648	1 093 393
Heritage assets	13	4 808 819	4 808 819
		297 742 332	277 874 519
TOTAL ASSETS		481 733 303	429 734 837
Liabilities			
Current Liabilities			
Payables from exchange transactions	14	32 020 681	23 536 041
Unspent conditional grants and receipts	15	1 285 554	1 163 515
Provisions	16	3 264 536	3 893 612
		36 570 771	28 593 168
Non-Current Liabilities			
Employee benefit obligation	17	4 668 000	6 089 000
Provisions	16	2 549 000	2 355 000
		7 217 000	8 444 000
TOTAL LIABILITIES		43 787 771	37 037 168
NET ASSETS		437 945 532	392 697 669
Reserves			
Housing Development	20	373 787	373 787
Accumulated surplus		437 571 745	392 323 882
TOTAL NET ASSETS		437 945 532	392 697 669

* See Note 45

uBuhlebezwe Local Municipality

(Registration number KZN 434)

Trading as uBuhlebezwe Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Statement of Financial Performance

Figures in Rand	Note(s)	2019	2018 Restated*
REVENUE			
Revenue from exchange transactions			
Service charges	19	2 257 263	2 155 141
Rental of facilities and equipment	21	1 074 076	923 761
Agency services		650 829	634 223
Licences and permits		3 118 842	2 710 002
Other income	22	220 583	220 901
Interest received - investment	23	13 026 783	11 001 948
Total revenue from exchange transactions		20 348 376	17 645 976
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	24	21 376 716	13 681 143
Transfer revenue			
Government grants & subsidies	25	138 943 262	126 444 003
Fines, Penalties and Forfeits		901 062	1 957 000
Total revenue from non-exchange transactions		161 221 040	142 082 146
TOTAL REVENUE	18	181 569 416	159 728 122
EXPENDITURE			
Employee related costs	26	(62 083 872)	(62 333 281)
Remuneration of councillors	27	(10 182 136)	(9 901 684)
Depreciation and amortisation	28	(19 380 364)	(21 269 841)
Impairment loss/ reversal of impairments	29	(3 184 560)	(5 303 291)
Finance costs	30	(2 395)	(2 856)
Debt Impairment	31	(1 689 461)	(4 477 729)
Contracted services	32	(14 542 813)	(14 031 483)
General Expenses	33	(24 795 297)	(21 671 593)
TOTAL EXPENDITURE		(135 860 898)	(138 991 758)
Operating surplus		45 708 518	20 736 364
(Loss) gain on disposal of assets and liabilities		(460 657)	127 230
SURPLUS FOR THE YEAR		45 247 861	20 863 594

* See Note 45

uBuhlebezwe Local Municipality

(Registration number KZN 434)

Trading as uBuhlebezwe Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Statement of Changes in Net Assets

Figures in Rand	Housing Development Fund	Accumulated surplus	Total net assets
Balance at 01 July 2017	373 787	371 460 288	371 834 075
Surplus for the year	-	20 863 594	20 863 594
Total changes	-	20 863 594	20 863 594
Opening balance as previously reported	373 787	387 814 442	388 188 229
Adjustments			
Correction of errors	-	4 509 442	4 509 442
Restated* Balance at 01 July 2018 as restated*	373 787	392 323 884	392 697 671
Changes in net assets			
Surplus for the year	-	45 247 861	45 247 861
Balance at 30 June 2019	373 787	437 571 745	437 945 532
Note(s)			

* See Note 45

uBuhlebezwe Local Municipality

(Registration number KZN 434)

Trading as uBuhlebezwe Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Cash Flow Statement

Figures in Rand	Note(s)	2019	2018 Restated*
Cash flows from operating activities			
Receipts			
Property rates		20 859 530	12 292 781
Sale of goods and services		7 446 222	2 155 141
Grants		140 140 463	146 444 000
Interest income		13 026 783	11 001 948
		<u>181 472 998</u>	<u>171 893 870</u>
Payments			
Employee related costs		(74 771 851)	(72 795 640)
Suppliers		(36 000 800)	(45 408 622)
Finance costs		(2 395)	(2 856)
Other cash item		-	2 368
		<u>(110 775 046)</u>	<u>(118 204 750)</u>
Net cash flows from operating activities	34	<u>70 697 952</u>	<u>53 689 120</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	11	(16 160 265)	(38 020 020)
Proceeds from sale of property, plant and equipment	11	362 877	173 285
Purchase of investment property	10	-	(417 000)
Purchase of other intangible assets	12	(1 722 830)	(237 845)
Proceeds from sale of other intangible assets	12	(1)	11 397
Proceeds from sale of other assets		-	(32 573 208)
Net cash flows from investing activities		<u>(17 520 219)</u>	<u>(71 063 391)</u>
Cash flows from financing activities			
Movement in retirement benefits: post employment medical benefits		-	1 351 000
Net increase/(decrease) in cash and cash equivalents		<u>53 177 733</u>	<u>(16 023 271)</u>
Cash and cash equivalents at the beginning of the year		102 277 331	118 300 602
Cash and cash equivalents at the end of the year	8	<u>155 455 064</u>	<u>102 277 331</u>

* See Note 45

uBuhlebezwe Local Municipality

(Registration number KZN 434)

Trading as uBuhlebezwe Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
--	--------------------	-------------	--------------	--	---	-----------

Figures in Rand

Statement of Financial Performance

Revenue

Revenue from exchange transactions

Service charges	2 090 247	(90 247)	2 000 000	2 257 263	257 263	(a)
Rental of facilities and equipment	1 000 000	-	1 000 000	1 074 076	74 076	(b)
Agency services	815 300	(45 000)	770 300	650 829	(119 471)	(c)
Licences and permits	3 615 780	(1 000 000)	2 615 780	3 118 842	503 062	(d)
Other income	1 369 312	61 000	1 430 312	220 583	(1 209 729)	(e)
Interest received - investment	10 000 000	4 000 000	14 000 000	13 026 783	(973 217)	(f)
Total revenue from exchange transactions	18 890 639	2 925 753	21 816 392	20 348 376	(1 468 016)	

Revenue from non-exchange transactions

Taxation revenue

Property rates	36 001 950	(14 075 227)	21 926 723	21 376 716	(550 007)	(g)
----------------	------------	--------------	------------	------------	-----------	-----

Transfer revenue

Government grants & subsidies	148 819 096	10 154 756	158 973 852	138 943 262	(20 030 590)	(h)
Fines, Penalties and Forfeits	200 000	800 000	1 000 000	901 062	(98 938)	(i)

Total revenue from non-exchange transactions	185 021 046	(3 120 471)	181 900 575	161 221 040	(20 679 535)	
---	--------------------	--------------------	--------------------	--------------------	---------------------	--

Total revenue	203 911 685	(194 718)	203 716 967	181 569 416	(22 147 551)	
----------------------	--------------------	------------------	--------------------	--------------------	---------------------	--

Expenditure

Employee related costs	(68 686 494)	-	(68 686 494)	(62 083 872)	6 602 622	(j)
Remuneration of councillors	(9 962 311)	(299 967)	(10 262 278)	(10 182 136)	80 142	
Depreciation and amortisation	(20 000 000)	-	(20 000 000)	(19 380 364)	619 636	(k)
Impairment loss/ Reversal of impairments	(1 578 000)	-	(1 578 000)	(3 184 560)	(1 606 560)	(l)

Finance costs	-	-	-	(2 395)	(2 395)	
Debt Impairment	-	-	-	(1 689 461)	(1 689 461)	(l)
Contracted Services	(13 979 949)	(461 440)	(14 441 385)	(14 542 813)	(101 428)	(n)
Other expenditure	(51 761 402)	(5 722 071)	(57 483 473)	(24 795 297)	32 688 176	(p)

Total expenditure	(165 968 156)	(6 483 478)	(172 451 630)	(135 860 898)	36 590 732	
--------------------------	----------------------	--------------------	----------------------	----------------------	-------------------	--

Operating surplus	37 943 529	(6 678 196)	31 265 333	45 708 518	14 443 185	
--------------------------	-------------------	--------------------	-------------------	-------------------	-------------------	--

Loss on disposal of assets and liabilities	-	-	-	(460 657)	(460 657)	
--	---	---	---	-----------	-----------	--

Surplus after capital transfer & contribution	37 943 529	(6 678 196)	31 265 333	45 247 861	13 982 528	
--	-------------------	--------------------	-------------------	-------------------	-------------------	--

Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	37 943 529	(6 678 196)	31 265 333	45 247 861	13 982 528	
--	-------------------	--------------------	-------------------	-------------------	-------------------	--

uBuhlebezwe Local Municipality

(Registration number KZN 434)

Trading as uBuhlebezwe Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
--	--------------------	-------------	--------------	--	---	-----------

Figures in Rand

(a) Service charges

Collection target was achieved and it includes the prior year debt.

(b) Rental of facilities

This was due to lower than anticipated halls hired during the year.

(c) Agency Services

The collection of Traffic Department income was lower than expected which led to lower agency fees received from the Department Transport.

(d) Licences and permits

Target achieved and a great turnout from applicants in this financial year.

(e) Other income

Lower than planned sale of land due to delays in implementing infrastructure development around the planned areas to be sold.

(f) Interest in investments

Receipt lower than the budget due to the fluctuations of the interest rates in commercial banks.

(g) Property rates

Improved collection strategies played a vital role in this year's property rates collection.

(h) Government grants and subsidies

INEP and Housing was initially budgeted for under revenue, however there was no revenue recognised in the income statement due to changes in the accounting treatment by provincial circular.

(i) Fines, penalties and forfeits

This was due to lower fines and penalties issued.

(j) Employee costs

This was due to reduction in overtime, post employment benefits and savings on director corporate services..

(k) Depreciation

Depreciation is inline with the budget.

(l) Impairment provision

lower collections than planned and therefore a higher than budget impairment provision.

(m) Other materials

This was budgeted under general expenditure.

(n) Contracted Service

The expenditure relating to grants is accounted for in general expenses

(q) Other Expenditure

Under budget due to cost saving initiatives

(r) Finance costs

Interest on late payment of Eskom was not budgeted for.

The accounting policies on pages 12 to 28 and the notes on pages 29 to 56 form an integral part of the annual financial statements.

uBuhlebezwe Local Municipality

(Registration number KZN 434)

Trading as uBuhlebezwe Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2019											
Financial Performance											
Property rates	36 001 950	(14 075 227)	21 926 723	-		21 926 723	21 376 716		(550 007)	97 %	59 %
Service charges	2 090 247	(90 247)	2 000 000	-		2 000 000	2 257 263		257 263	113 %	108 %
Investment revenue	10 000 000	4 000 000	14 000 000	-		14 000 000	13 026 783		(973 217)	93 %	130 %
Transfers recognised - operational	148 819 096	10 154 756	158 973 852	-		158 973 852	108 842 563		(50 131 289)	68 %	73 %
Other own revenue	7 000 392	(184 000)	6 816 392	-		6 816 392	5 965 392		(851 000)	88 %	85 %
Total revenue (excluding capital transfers and contributions)	203 911 685	(194 718)	203 716 967	-		203 716 967	151 468 717		(52 248 250)	74 %	74 %
Employee costs	(68 686 949)	-	(68 686 949)	-	-	(68 686 949)	(62 083 872)	-	6 603 077	90 %	90 %
Remuneration of councillors	(9 962 311)	(299 967)	(10 262 278)	-	-	(10 262 278)	(10 182 136)	-	80 142	99 %	102 %
Debt impairment	(1 578 000)	-	(1 578 000)			(1 578 000)	(1 689 461)	-	(111 461)	107 %	107 %
Depreciation and asset impairment	(20 000 000)	-	(20 000 000)			(20 000 000)	(22 564 924)	-	(2 564 924)	113 %	113 %
Finance charges	-	-	-	-	-	-	(2 395)	-	(2 395)	DIV/0 %	DIV/0 %
Other expenditure	(65 741 351)	(6 183 056)	(71 924 407)	-	-	(71 924 407)	(39 798 767)	-	32 125 640	55 %	61 %
Total expenditure	(165 968 611)	(6 483 023)	(172 451 634)	-	-	(172 451 634)	(136 321 555)	-	36 130 079	79 %	82 %
Surplus/(Deficit)	37 943 074	(6 677 741)	31 265 333	-		31 265 333	15 147 162		(16 118 171)	48 %	40 %

uBuhlebezwe Local Municipality

(Registration number KZN 434)

Trading as uBuhlebezwe Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	-	-	-	-		-	30 100 699		30 100 699	DIV/0 %	DIV/0 %
Surplus (Deficit) after capital transfers and contributions	37 943 074	(6 677 741)	31 265 333	-		31 265 333	45 247 861		13 982 528	145 %	119 %
Surplus/(Deficit) for the year	37 943 074	(6 677 741)	31 265 333	-		31 265 333	45 247 861		13 982 528	145 %	119 %

uBuhlebezwe Local Municipality

(Registration number KZN 434)

Trading as uBuhlebezwe Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.2 Going concern assumption

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

1.3 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Trade receivables

The municipality assesses its trade receivables, held to maturity investments and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the municipality makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables, held to maturity investments and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that assumptions may change which may then impact our estimations and may then require a material adjustment to the carrying value of computer software and tangible assets.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, computer software is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of computer software and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 16 - Provisions.

uBuhlebezwe Local Municipality

(Registration number KZN 434)

Trading as uBuhlebezwe Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Post retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 17.

1.4 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Subsequent measurement

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided to write down the cost, less estimated residual value by equal installments over the useful life of the property, which is as follows:

Item	Useful life
Property - land	indefinite
Property - buildings	30 years

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

When classification is difficult, the criteria used to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of operations, including the nature or type of properties classified as held for strategic purposes, are as follows:

The municipality separately discloses expenditure to repair and maintain investment property in the notes to the annual financial statements (see note).

uBuhlebezwe Local Municipality

(Registration number KZN 434)

Trading as uBuhlebezwe Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.4 Investment property (continued)

The municipality discloses relevant information relating to assets under construction or development, in the notes to the annual financial statements (see note).

1.5 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of the following areas involve a significant degree of estimation and uncertainty. Any remaining inspection costs from .

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Subsequent measurement

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses, unless a specific decision has been taken to revalue a certain class of assets and in such instance property, plant and equipment will be valued using the revaluation model.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited in revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The useful lives of items of the following areas involve a significant degree of estimation and uncertainty has been assessed as follows:

uBuhlebezwe Local Municipality

(Registration number KZN 434)

Trading as uBuhlebezwe Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.5 Property, plant and equipment (continued)

Item	Depreciation method	Average useful life in years
Land	Straight line	Infinite
Buildings	Straight line	25 - 30
Finance Lease Assets	Straight line	3
Plant and Equipment	Straight line	10 -20
Furniture and office equipment	Straight line	5-15
Motor vehicles	Straight line	7
Computer equipment	Straight line	5-10
Infrastructure - Cemeteries	Straight line	15-30
Machinery and equipment	Straight line	5-15
Infrastructure - Electricity	Straight line	15 -30
Infrastructure - Road	Straight line	15 - 55
Infrastructure - Solid Waste Disposal	Straight line	10 - 55
Specialised vehicles	Straight line	10-20

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

Each part of an item of with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

The municipality assesses at each reporting date whether there is any indication that the municipality expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 11).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 11).

uBuhlebezwe Local Municipality

(Registration number KZN 434)

Trading as uBuhlebezwe Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.6 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets. Internally generated goodwill is not recognised as an intangible asset.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Depreciation method	Average useful life
Computer software, other	Straight line	3

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 11).

uBuhlebezwe Local Municipality

(Registration number KZN 434)

Trading as uBuhlebezwe Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.6 Intangible assets (continued)

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

1.7 Heritage assets

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

An impairment loss of a cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable amount.

An impairment loss of a non-cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable service amount.

An inalienable item is an asset that an municipality is required by law or otherwise to retain indefinitely and cannot be disposed of without consent.

Recoverable amount is the higher of a cash-generating asset's net selling price and its value in use.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Value in use of a cash-generating asset is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

Value in use of a non-cash-generating asset is the present value of the asset's remaining service potential.

The municipality separately discloses expenditure to repair and maintain heritage assets in the notes to the financial statements (see note 13).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 13).

Recognition

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably.

Initial measurement

Heritage assets are measured at cost.

Where a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

Subsequent measurement

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

After recognition as an asset, a class of heritage assets, whose fair value can be measured reliably, is carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent impairment losses.

If a heritage asset's carrying amount is increased as a result of a revaluation, the increase is credited directly to a revaluation surplus. However, the increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same heritage asset previously recognised in surplus or deficit.

If a heritage asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in surplus or deficit. However, the decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset.

uBuhlebezwe Local Municipality

(Registration number KZN 434)

Trading as uBuhlebezwe Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.8 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:

- cash;
- a residual interest of another entity; or
- a contractual right to:
 - receive cash or another financial asset from another entity; or
 - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

uBuhlebezwe Local Municipality

(Registration number KZN 434)

Trading as uBuhlebezwe Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.8 Financial instruments (continued)

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
 - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
 - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
 - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
 - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting.

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

1.9 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

uBuhlebezwe Local Municipality

(Registration number KZN 434)

Trading as uBuhlebezwe Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.9 Leases (continued)

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

1.10 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

uBuhlebezwe Local Municipality

(Registration number KZN 434)

Trading as uBuhlebezwe Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.10 Inventories (continued)

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.11 Impairment of cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets used with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

Useful life is either:

- the period of time over which an asset is expected to be used by the municipality; or
- the number of production or similar units expected to be obtained from the asset by the municipality.

1.12 Impairment of non-cash-generating assets

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

uBuhlebezwe Local Municipality

(Registration number KZN 434)

Trading as uBuhlebezwe Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.12 Impairment of non-cash-generating assets (continued)

Useful life is either:

- the period of time over which an asset is expected to be used by the municipality; or
- the number of production or similar units expected to be obtained from the asset by the municipality.

1.13 Share capital / contributed capital

An equity instrument is any contract that evidences a residual interest in the assets of a municipality after deducting all of its liabilities.

1.14 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of surplus sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the entity's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

uBuhlebezwe Local Municipality

(Registration number KZN 434)

Trading as uBuhlebezwe Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.14 Employee benefits (continued)

Defined benefit plans

For defined benefit plans the cost of providing the benefits is determined using the projected credit method.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan.

Consideration is given to any event that could impact the funds up to end of the reporting period where the interim valuation is performed at an earlier date.

Past service costs are recognised immediately to the extent that the benefits are already vested, and are otherwise amortised on a straight line basis over the average period until the amended benefits become vested.

To the extent that, at the beginning of the financial period, any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the projected benefit obligation and the fair value of the plan assets (the corridor), that portion is recognised in surplus or deficit over the expected average remaining service lives of participating employees. Actuarial gains or losses within the corridor are not recognised.

Gains or losses on the curtailment or settlement of a defined benefit plan is recognised when the entity is demonstrably committed to curtailment or settlement.

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduces by the fair value of plan assets.

Any asset is limited to unrecognised actuarial losses and past service costs, plus the present value of available refunds and reduction in future contributions to the plan.

1.15 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

uBuhlebezwe Local Municipality

(Registration number KZN 434)

Trading as uBuhlebezwe Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.15 Provisions and contingencies (continued)

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating surplus.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 37.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

1.16 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.17 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

1.18 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by a municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arises when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

uBuhlebezwe Local Municipality

(Registration number KZN 434)

Trading as uBuhlebezwe Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.18 Revenue from non-exchange transactions (continued)

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, a municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

uBuhlebezwe Local Municipality

(Registration number KZN 434)

Trading as uBuhlebezwe Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.19 Comparative figures

All municipalities are required to comply with mScoa as from the 1st July 2017. uBuhlebezwe Local Municipality have implemented the mScoa and comparative figures have been reclassified to conform to changes in presentation in the current year.

1.20 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.21 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.22 Irregular expenditure

Irregular expenditure as defined in section 1 of the MFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

- (a) this Act; or
- (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- (c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the MFMA requires the following (effective from 1 April 2008):

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

uBuhlebezwe Local Municipality

(Registration number KZN 434)

Trading as uBuhlebezwe Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.22 Irregular expenditure (continued)

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.23 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on a cash basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2017/07/01 to 2021/06/30.

The budget for the economic entity includes all the entities approved budgets under its control.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

1.24 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

Related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

The municipality is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the municipality to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

Where the municipality is exempt from the disclosures in accordance with the above, the municipality discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity's financial statements to understand the effect of related party transactions on its annual financial statements.

uBuhlebezwe Local Municipality

(Registration number KZN 434)

Trading as uBuhlebezwe Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.25 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

1.26 Principal and Agent arrangements

Identification

A principal-agent arrangement results from a binding arrangement in which one entity (an agent), undertakes transactions with third parties on behalf, and for the benefit of, another entity (the principal).

Accounting by agent

An agent recognises only that portion of the revenue and expenses it receives or incurs in executing the transactions on behalf of the principal).

An agent does not recognise expenses it incurs on behalf of the principal in its statement of financial performance. The result of the transaction with third parties, in this case suppliers, results in the principal having the ability to use all, or substantially all, of the resources related to that transaction and not the agent.

Recognising assets and liabilities as an agent

The Framework for the Preparation and Presentation of Financial Statements requires, inter-alia, that an entity must control an asset, as a result of a past event, before it can be recognised in the statement of financial position. Consequently, an agent assesses whether the resources it holds as a result of undertaking transactions with third parties on behalf of the principal are under its control and would otherwise meet the definition and recognition criteria for such assets in accordance with other Standards of GRAP.

Where an agent holds cash or other monetary assets on behalf of its principal, it is necessary to assess whether this should be recognised as an asset by the agent, with a corresponding liability in respect of the obligation to transfer the amounts to the principal. In making this assessment, the agent considers whether it controls (even if this control is temporary) the cash or other asset it holds, and consequently whether it meets the definition of an asset in accordance with the Framework for Preparation and Presentation of Financial Statements.

1.27 Unspent Conditional Grants and receipts

Unspent portion of the conditional grants are accounted as current liabilities.

uBuhlebezwe Local Municipality

(Registration number KZN 434)

Trading as uBuhlebezwe Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
-----------------	------	------

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2019 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 110: Living and Non-living Resources	01 April 2020	Unlikely there will be a material impact
• GRAP 6 (as revised 2010): Consolidated and Separate Financial Statements	01 April 2019	Unlikely there will be a material impact
• GRAP 7 (as revised 2010): Investments in Associates	01 April 2019	Unlikely there will be a material impact
• GRAP 8 (as revised 2010): Interests in Joint Ventures	01 April 2019	Unlikely there will be a material impact
• GRAP 18 (as amended 2016): Segment Reporting	01 April 2019	Unlikely there will be a material impact
• GRAP 20: Related parties	01 April 2019	Unlikely there will be a material impact
• GRAP 32: Service Concession Arrangements: Grantor	01 April 2019	Unlikely there will be a material impact
• GRAP 105: Transfers of functions between entities under common control	01 April 2019	Unlikely there will be a material impact
• GRAP 106 (as amended 2016): Transfers of functions between entities not under common control	01 April 2019	Unlikely there will be a material impact
• GRAP 107: Mergers	01 April 2019	Unlikely there will be a material impact
• GRAP 108: Statutory Receivables	01 April 2019	Unlikely there will be a material impact
• GRAP 109: Accounting by Principals and Agents	01 April 2019	Unlikely there will be a material impact
• IGRAP 11: Consolidation – Special purpose entities	01 April 2019	Unlikely there will be a material impact
• IGRAP 12: Jointly controlled entities – Non-monetary contributions by ventures	01 April 2019	Unlikely there will be a material impact
• IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset	01 April 2019	Unlikely there will be a material impact
• IGRAP 18: Interpretation of the Standard of GRAP on Recognition and Derecognition of Land	01 April 2019	Unlikely there will be a material impact

Income statement for the year 30 June 2020

The changes in the new standards and interpretations resulted in a decrease in basic earnings per share and diluted earnings per share as follows:

uBuhlebezwe Local Municipality

(Registration number KZN 434)

Trading as uBuhlebezwe Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
3. Inventories		
Consumable stores	-	40 717
Land held for sale	2 303 105	2 530 614
	<u>2 303 105</u>	<u>2 571 331</u>
Disposals	(827 631)	(528 509)
Additions	80 000	301 000
	<u>1 555 474</u>	<u>2 343 822</u>
Carrying value of inventories carried at fair value less costs to sell	1 555 474	2 305 476
Inventories recognised as an expense during the year	1 026 641	487 790
Consumables stores relate to Cleaning chemicals and Stationery. Land held for sale is included in the Assets Held for Sale.		
4. VAT receivable		
VAT	<u>5 300 118</u>	<u>4 602 892</u>
VAT is disclosed on the accrual basis, declarations to SARS are made on payments basis		
5. Trade receivable from non exchange transaction		
Gross balances		
Rates	33 928 923	25 185 944
Fines	3 039 664	2 189 703
	<u>36 968 587</u>	<u>27 375 647</u>
Less: Allowance for impairment		
Rates	(21 608 485)	(22 057 486)
Fines	(2 869 523)	(1 822 595)
	<u>(24 478 008)</u>	<u>(23 880 081)</u>
Net balance		
Rates	12 320 438	3 128 458
Fines	170 141	367 108
	<u>12 490 579</u>	<u>3 495 566</u>
Excluded in above is receivables from exchange transactions		
Housing debtors	115 075	122 298
Refuse	5 714 984	4 509 041
Rental	1 138 854	1 040 600
Interest Accrued	1 858 665	273 706
Sundry	22 652	22 652
	<u>8 850 230</u>	<u>5 968 297</u>
Included in above is receivables from non-exchange transactions (taxes and transfers)		
Rates	34 473 449	25 185 944
Fines	3 039 664	2 189 703
	<u>37 513 113</u>	<u>27 375 647</u>

uBuhlebezwe Local Municipality

(Registration number KZN 434)

Trading as uBuhlebezwe Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
5. Trade receivable from non exchange transaction (continued)		
Total Gross balance	46 363 343	33 343 944
Rates		
Current (0 -30 days)	1 843 393	824 961
31 - 60 days	1 579 434	703 353
61 - 90 days	1 532 749	643 554
91 - 120 days	1 318 877	628 834
> 121 days	27 654 470	24 947 950
	33 928 923	27 748 652
Fines		
30-365 days)	3 039 664	2 189 703
Housing debtors		
30 - 365 days	115 075	122 298
Rental		
30 - 365 days	1 138 854	1 040 600
Interest Accrued		
121 - 365 days	1 858 665	291 656
Sundry		
121 - 365 days	22 652	279 264
Refuse		
(30 -365 days)	5 714 984	4 509 041
Reconciliation of allowance for impairment		
Balance at beginning of the year	(23 880 081)	(18 821 678)
Contributions to allowance	(597 929)	(5 058 403)
	(24 478 010)	(23 880 081)
6. Receivables from exchange transactions		
Housing debtors	115 075	122 298
Accrued interest	1 858 665	291 656
Consumer debtors - Refuse	5 714 984	4 509 041
Consumer debtors - Rental	1 138 854	1 040 600
Sundry debtors	362 158	22 652
	9 189 736	5 986 247
7. Prepayments		
Prepayments	-	675 156
Prepayment for the prior year relate to SALGA membership paid in advance.		

uBuhlebezwe Local Municipality

(Registration number KZN 434)

Trading as uBuhlebezwe Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
8. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Cash on hand	3 000	5 249
Bank balances	24 570 573	5 214 266
Short-term deposits	130 881 491	97 057 816
	155 455 064	102 277 331

uBuhlebezwe Local Municipality

(Registration number KZN 434)

Trading as uBuhlebezwe Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand				2019	2018	
8. Cash and cash equivalents (continued)						
The municipality had the following bank accounts						
Account number / description	Bank statement balances			Cash book balances		
	30 June 2019	30 June 2018	30 June 2017	30 June 2019	30 June 2018	30 June 2017
FNB - Current Account - 52552416194	24 535 343	5 214 266	6 396 226	24 570 573	5 214 266	6 396 226
FNB -Equitable Share - 62143895988	5 147 234	6 166 184	650 336	5 147 234	6 404 365	650 336
FNB -Equitable Share- 74617848129	-	-	10 729 139	-	-	10 729 139
FNB- Equitable share- 62248166218	690 309	664 709	(9 147 188)	690 309	664 709	(9 147 188)
FNB-74814614472	14 038 663	-	-	14 038 663	-	-
FNB-7 Day Call Short Term - Investment Account	-	-	282 546	-	-	282 546
FNB-7479441557	15 566 845	-	-	15 566 845	-	-
FNB-74806555642	14 237 047	-	-	14 237 048	-	-
FNB -Lums - 62074735831	-	-	15 253 356	-	-	15 253 356
FNB - Investment account	-	-	38 346	-	-	38 346
FNB-745590521793	-	6 464 559	-	-	6 464 559	-
FNB Investment	-	-	555 254	-	-	555 254
FNB Investment account	-	-	10 778 890	-	-	10 778 890
FNB -Equitable Share	-	-	10 288 805	-	-	10 288 805
FNB -71770508335	-	5 677 600	-	-	5 677 600	-
ABSA-Small Town Rehab/3 months fixed deposit - 2074567242	-	-	12 034 457	-	-	12 034 457
ABSA - Bank - 2074567242	-	12 944 135	-	-	12 944 135	-
ABSA Bank-10M 20178479582	10 062 860	-	-	10 062 860	-	-
ABSA Bank-10M 2078355849	10 181 233	-	-	10 181 234	-	-
ABSA-Small Town Rehab/3 months fixed deposit - 20751136603	-	-	11 632 881	-	-	11 632 881
Nedbank - Fixed Deposit 1 month - 7881076763/001	-	-	197 226	-	-	197 226
Nedbank 7881076763/122	20 000 000	-	-	20 000 000	-	-
Nedbank 7881076763/124	21 000 000	-	-	21 000 000	-	-
Nedbank - Fixed Deposit 1 month - 7881076763/101	-	-	5 477 350	-	-	5 477 350
Nedbank - Fixed Deposit 1 month - 7881076763/018	-	-	5 000 000	-	-	5 000 000
Nedbank - Investment Account	-	15 889 682	-	-	15 889 682	-
Standard Bank-068730276-008	15 151	14 494	-	15 151	14 494	-
Standard bank 068730276/009	14 039 066	-	-	14 039 066	-	-
Standard Bank - 90 Days	-	-	(10 231 644)	-	-	(10 231 644)
Standard Bank - 90 Days	-	-	10 011 381	-	-	10 011 381
Standard Bank-068730276 005	-	-	12 508 568	-	-	12 508 568
Standard Bank -068730276 001	122 628	109 507	-	122 628	109 507	-
Standard Bank -068730276 006	5 780 455	5 328 561	-	5 780 455	5 328 561	-
Standard Bank- R6M	-	-	10 245 482	-	-	10 245 482
Ithala Bank- Equitable Share- 46142189	-	-	131 433	-	-	131 433
Ithala Bank- Equitable Share	-	-	5 062 205	-	-	5 062 205
INVESTEC -11005393353455	-	43 946 807	-	-	43 560 204	-
INVESTEC-50011092081	-	-	10 405 513	-	-	10 405 513
Total	155 416 834	102 420 504	118 300 562	155 452 066	102 272 082	118 300 562

uBuhlebezwe Local Municipality

(Registration number KZN 434)

Trading as uBuhlebezwe Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
-----------------	------	------

9. Investments

Ithala Bank	-	32 547 736
-------------	---	------------

As at 30 June 2019 the Municipality has no investments in financial institutions.

uBuhlebezwe Local Municipality

(Registration number KZN 434)

Trading as uBuhlebezwe Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand

10. Investment property

	2019			2018		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	21 365 533	(1 385 723)	19 979 810	21 445 533	(1 175 258)	20 270 275

Reconciliation of investment property - 2019

	Opening balance	Transfers	Depreciation	Total
Investment property	20 270 275	(80 000)	(210 465)	19 979 810

Reconciliation of investment property - 2018

	Opening balance	Additions	Transfers	Depreciation	Total
Investment property	20 364 596	417 000	(301 000)	(210 321)	20 270 275

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Amounts recognised in surplus or deficit

Rental revenue from Investment property	1 072 166	923 761
---	-----------	---------

uBuhlebezwe Local Municipality

(Registration number KZN 434)

Trading as uBuhlebezwe Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand

2019

2018

11. Property, plant and equipment

	2019			2018		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Buildings	35 033 503	(12 045 485)	22 988 018	28 343 129	(11 190 835)	17 152 294
Plant and machinery	8 250 630	(5 200 028)	3 050 602	8 687 139	(4 957 868)	3 729 271
Furniture and fixtures	8 189 537	(6 063 314)	2 126 223	8 214 799	(5 166 905)	3 047 894
Motor vehicles	14 860 285	(9 662 455)	5 197 830	15 084 876	(8 365 251)	6 719 625
IT equipment	3 220 462	(2 408 754)	811 708	2 917 651	(2 323 767)	593 884
Infrastructure	280 825 297	(154 548 380)	126 276 917	259 745 969	(143 631 729)	116 114 240
Community	166 973 043	(59 676 149)	107 296 894	154 586 296	(53 324 605)	101 261 691
Libraries	4 706 767	(1 785 904)	2 920 863	4 706 767	(1 623 634)	3 083 133
Total	522 059 524	(251 390 469)	270 669 055	482 286 626	(230 584 594)	251 702 032

uBuhlebezwe Local Municipality

(Registration number KZN 434)

Trading as uBuhlebezwe Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand

11. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2019

	Opening balance	Additions	Disposals	Transfers	Work in Progress	Depreciation	Impairment loss	Total
Buildings	17 152 294	-	-	-	6 690 374	(854 650)	-	22 988 018
Plant and Equipment	3 729 271	70 160	(49 218)	-	-	(699 611)	-	3 050 602
Furniture and fixtures	3 047 894	319 040	(3 548)	-	-	(1 237 163)	-	2 126 223
Motor vehicles	6 719 625	551 719	(427 819)	-	-	(1 645 695)	-	5 197 830
IT equipment	593 884	523 262	(2 962)	-	-	(302 476)	-	811 708
Infrastructure	116 114 240	10 324 910	-	(10 221 293)	20 949 479	(10 890 419)	-	126 276 917
Community	101 261 691	4 371 174	-	(4 333 903)	12 368 530	(3 186 038)	(3 184 560)	107 296 894
Libraries	3 083 133	-	-	-	-	(162 270)	-	2 920 863
	251 702 032	16 160 265	(483 547)	(14 555 196)	40 008 383	(18 978 322)	(3 184 560)	270 669 055

Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Disposals	Depreciation	Impairment loss	Total
Buildings	16 317 306	2 237 941	-	(869 518)	(533 435)	17 152 294
Plant and machinery	2 569 069	1 747 499	-	(587 297)	-	3 729 271
Furniture and fixtures	3 938 403	360 840	(31 980)	(1 219 369)	-	3 047 894
Motor vehicles	7 193 914	1 227 734	-	(1 702 023)	-	6 719 625
IT equipment	881 184	35 813	-	(323 113)	-	593 884
Infrastructure	103 195 746	24 286 732	-	(11 368 238)	-	116 114 240
Community	102 717 620	8 123 461	-	(4 809 534)	(4 769 856)	101 261 691
Libraries	3 245 510	-	-	(162 377)	-	3 083 133
	240 058 752	38 020 020	(31 980)	(21 041 469)	(5 303 291)	251 702 032

uBuhlebezwe Local Municipality

(Registration number KZN 434)

Trading as uBuhlebezwe Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
-----------------	------	------

11. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2019

	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Opening balance	16 681 613	12 044 339	2 460 810	31 186 762
Additions/capital expenditure	20 949 479	12 379 056	6 690 374	40 018 909
Transferred to completed items	(10 221 293)	-	-	(10 221 293)
	27 409 799	24 423 395	9 151 184	60 984 378

Reconciliation of Work-in-Progress 2018

	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Opening balance	13 716 202	10 215 317	3 261 265	27 192 784
Additions/capital expenditure	15 396 123	5 612 235	2 185 335	23 193 693
Other movements	(12 430 712)	(3 783 213)	(2 985 790)	(19 199 715)
	16 681 613	12 044 339	2 460 810	31 186 762

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

uBuhlebezwe Local Municipality

(Registration number KZN 434)

Trading as uBuhlebezwe Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
-----------------	------	------

12. Intangible assets

	2019			2018		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	2 494 287	(209 639)	2 284 648	1 111 444	(18 051)	1 093 393

Reconciliation of intangible assets - 2019

	Opening balance	Additions	Disposals	Amortisation	Total
Computer software	1 093 393	1 722 830	(339 986)	(191 589)	2 284 648

Reconciliation of intangible assets - 2018

	Opening balance	Additions	Disposals	Total
Computer software	881 020	237 845	(25 472)	1 093 393

13. Heritage assets

	2019			2018		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Historical monuments	4 808 819	-	4 808 819	4 808 819	-	4 808 819

Reconciliation of heritage assets 2019

	Opening balance	Total
Historical monuments	4 808 819	4 808 819

Reconciliation of heritage assets 2018

	Opening balance	Total
Historical monuments	4 808 819	4 808 819

14. Payables from exchange transactions

Trade payables	17 868 489	11 495 146
Unallocated deposits	2 945 709	1 126 897
Other creditors	256 092	256 092
Deposits other	32 134	32 134
Retention	9 599 272	9 306 787
Advance payments	1 318 985	1 318 985
	32 020 681	23 536 041

uBuhlebezwe Local Municipality

(Registration number KZN 434)

Trading as uBuhlebezwe Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
-----------------	------	------

15. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

Mckenzie Farm	428 422	428 422
Small Town Rehabilitation	18 245	18 245
MIG	601	-
Ixopo Sportfields	-	8 278
Sangcwaba Grant	565 387	565 387
Ixopo Sportfield Maintenance	151 461	143 182
Sports & Recreation	28 777	-
Gym Park - Receipts	92 661	-
	1 285 554	1 163 514

16. Provisions

Reconciliation of provisions - 2019

	Opening Balance	Additions	Reduction due to re- measurement	Total
Leave pay provision	3 893 612	-	(629 076)	3 264 536
Long term service award provision	2 355 000	194 000	-	2 549 000
	6 248 612	194 000	(629 076)	5 813 536

Reconciliation of provisions - 2018

	Opening Balance	Additions	Total
Leave pay provision	3 651 080	242 532	3 893 612
Long term service award provision	1 962 000	393 000	2 355 000
	5 613 080	635 532	6 248 612
Non-current liabilities		2 549 000	2 355 000
Current liabilities		3 264 536	3 893 612
		5 813 536	6 248 612

Long services award are payable after ten years of continuous services and every five years thereafter to employees.

Provision is an estimate of the long service award base on historic staff turnover, taking into account management estimate of the likelihood that staff may leave before long services become due. No other long services benefit are provided to employees.

uBuhlebezwe Local Municipality

(Registration number KZN 434)

Trading as uBuhlebezwe Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
-----------------	------	------

17. Employee benefit obligations

Long service awards

Independent valuers, ZAQ Consultants and Actuaries (Pty) Ltd, carried out a statutory valuation as at 30 June 2019.

The actuarial valuation determined that the retirement plan was in a sound financial position.

Post retirement benefit plan

The Municipality's personnel are members of one of the Natal Joint Municipal Pension retirement funds, namely the Superannuation, Retirement and Provident Funds. As the aforementioned funds are multi-employer funds, the allocation of any surplus/deficit to individual municipalities cannot be determined. Furthermore disclosure of further details such as actuarial assumptions, cannot be attributed to any specific municipality and is of no relevance to users of the municipality's financial statements. As the required disclosure information cannot be obtained the funds are all treated as defined contribution plans.

Post retirement medical aid plan

The municipality operates on 6 accredited medical aid schemes, namely Bonitas, Keyhealth, LA Health, Hosmed, Fedhealth and Samwumed. Pensioners continue on the option they belonged to on the day of their retirement. Independent valuers, ZAQ Consultants and Actuaries (Pty) Ltd, carried out a statutory valuation as at 30 June 2019. The post-retirement medical obligations at 30 June 2019 quantified the present value of unfunded obligations at R4,668,000. The Current-service costs for the year ending 30 June 2019 is estimated at R386 000. The principal actuarial assumptions used included a discount rate of Yield Curve, and a health care cost inflation rate of CPI + 1.

Post Medical Aid benefits : The amounts recognised in the statement of financial position are as follows:

Carrying value

Opening balance	(6 089 000)	(4 738 000)
Current service costs	(386 000)	(289 000)
Interest costs	(530 000)	(481 000)
Benefit paid	168 000	175 000
Actuarial loss / (gain)	2 169 000	(756 000)
	(4 668 000)	(6 089 000)

Members withdrawal from the service

Males Females

Age

20	16.00 %	24.00 %
25	12.00 %	18.00 %
30	10.00 %	15.00 %
35	8.00 %	10.00 %
40	6.00 %	6.00 %
45	4.00 %	4.00 %
50	2.00 %	2.00 %
55	1.00 %	1.00 %
	-	-

Post Medical Aid Benefits: The amounts recognised in the Statement of Financial Performance were as follows:

Actuarial gains (losses)	2 169 000	(756 000)
--------------------------	-----------	-----------

uBuhlebezwe Local Municipality

(Registration number KZN 434)

Trading as uBuhlebezwe Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
18. Revenue		
Service charges	2 257 263	2 155 141
Rental of facilities	1 074 076	923 761
Agency services	650 829	634 223
Licences and permits	3 118 842	2 710 002
Other income - Miscellaneous	220 583	220 901
Interest received - investment	13 026 783	11 001 948
Property rates	21 376 716	13 681 143
Donation income	-	-
Government grants	138 943 262	126 444 003
Fines	901 062	1 957 000
	181 569 416	159 728 122
The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	2 257 263	2 155 141
Rental of facilities and equipment	1 074 076	923 761
Agency services	650 829	634 223
Licences and permits	3 118 842	2 710 002
Other income - Miscellaneous	220 583	220 901
Interest received - investment	13 026 783	11 001 948
	20 348 376	17 645 976
The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	21 376 716	13 681 143
Transfer revenue		
Government grants	138 943 262	126 444 003
Fines	901 062	1 957 000
	161 221 040	142 082 146
19. Service charges		
Refuse removal	2 178 570	2 037 394
Other service charges - Fire	78 693	117 747
	2 257 263	2 155 141
20. Housing operating account		
Loans extinguished by Government on 1 April 1998	373 787	373 787
The housing operating account is represented by the following assets and liabilities		
Housing selling scheme loans	122 298	122 298
Bank and cash	251 489	251 489
Assets	373 787	373 787
Total Housing Development Fund Assets and Liabilities	373 787	373 787

uBuhlebezwe Local Municipality

(Registration number KZN 434)

Trading as uBuhlebezwe Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
21. Rental of facilities and equipment		
Premises		
Hall hire	166 394	851 746
Rental of Buildings	907 682	72 015
	1 074 076	923 761
	1 074 076	923 761
22. Other income		
Rates Clearance	2 657	3 289
Sundry Income	217 926	155 518
Skills development	-	62 094
	220 583	220 901
23. Investment revenue		
Interest revenue		
Short term investments	13 026 783	11 001 948

uBuhlebezwe Local Municipality

(Registration number KZN 434)

Trading as uBuhlebezwe Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
-----------------	------	------

24. Property rates

Rates received

Residential	9 252 820	3 621 796
Commercial	5 831 033	2 794 834
State	2 305 716	2 781 121
Agricultural	2 955 074	2 382 272
Communal	311 430	17 991
Industrial	690 630	636 159
Public Service Infrastructure	30 013	509 891
	21 376 716	12 744 064

Valuations

Residential	686 574 002	276 469 200
Commercial	324 955 000	348 778 000
Public Service Infrastructure	165 002	8 560 000
Industrial	33 828 001	23 850 000
Municipal	66 923 000	25 200 000
Agricultural	1 249 713 000	1 140 388 000
Vacant Land	20 379 005	37 102 000
Farm : Residential	122 767 000	4 839 000
Public Service Purposes	300 602 000	361 067 000
Smallholdings: Commercial	28 458 000	12 245 000
Ingonyama Trust	138 898 000	264 048 000
Informal Settlement	3 204 000	9 119 000
	2 976 466 010	2 511 665 200

Valuations on land and buildings are performed every 5 years. In terms of the new MPRA legislation an extension of 1 year has been granted. The last general valuation came into effect on 1 July 2018. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alteration and subdivisions. Rates are levied in 12 monthly equal instalments with the first being due at the end of July and the last instalment is in June.

The municipality does not levy rates on the first R15 000 of the market value of properties assigned to the categories below:

Residential
Agricultural
Small holding (Agricultural)
Commercial
Industrial and
Communal

uBuhlebezwe Local Municipality

(Registration number KZN 434)

Trading as uBuhlebezwe Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
25. Government grants and subsidies		
Operating grants		
Equitable share	99 319 000	95 443 000
FMG	1 970 000	1 900 000
Sports & recreation	21 223	-
Gym Park	1 907 339	-
Library Grant	1 035 000	771 000
Municipal Disaster Grant	3 000 000	-
EPWP	1 590 001	1 000 000
	108 842 563	99 114 000
Capital grants		
MIG	26 438 399	27 330 003
Electrification	3 662 300	-
	30 100 699	27 330 003
	138 943 262	126 444 003
Conditional and Unconditional		
Included in above are the following grants and subsidies received:		
Conditional grants received	35 910 422	51 001 000
Unconditional grants received	99 319 000	95 443 000
	135 229 422	146 444 000
Equitable Share		
Current-year receipts	99 319 000	95 443 000
Mc Kenzie Farm		
Balance unspent at beginning of year	428 422	428 422
Conditions still to be met - remain liabilities (see note 15).		
FMG Grant		
Current-year receipts	1 970 000	1 900 000
Conditions met - transferred to revenue	(1 970 000)	(1 900 000)
	-	-
Sports and Recreation		
Current-year receipts	50 000	-
Conditions met - transferred to revenue	(21 223)	-
	28 777	-
Conditions still to be met - remain liabilities (see note 15).		
Municipal Infrastructure Grant		
Current-year receipts	26 439 000	27 330 000

uBuhlebezwe Local Municipality

(Registration number KZN 434)

Trading as uBuhlebezwe Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
25. Government grants and subsidies (continued)		
Conditions met - transferred to revenue	(26 438 399)	(27 330 000)
	601	-
Library Grant		
Current-year receipts	1 035 000	771 000
Conditions met - transferred to revenue	(1 035 000)	(771 000)
	-	-
Small Town Rehab _ Roads		
Balance unspent at beginning of year	18 245	18 245
Conditions still to be met - remain liabilities (see note 15).		
Municipal Disaster Recovery Grant		
Current-year receipts	3 000 000	-
Conditions met - transferred to revenue	(3 000 000)	-
	-	-
Conditions still to be met - remain liabilities (see note 15).		
Ixopo sports maintenance Grant		
Balance unspent at beginning of year	8 278	8 278
Other	(8 278)	-
	-	8 278
Sangcwaba Grant		
Balance unspent at beginning of year	565 387	565 387
Conditions still to be met - remain liabilities (see note 15).		
EPWP Grant		
Current-year receipts	1 590 000	1 000 000
Conditions met - transferred to revenue	(1 590 000)	(1 000 000)
	-	-
Gym Park Grant		
Current-year receipts	2 000 000	-
Conditions met - transferred to revenue	(1 907 339)	-
	92 661	-
Conditions still to be met - remain liabilities (see note 15).		
Ixopo Sportsfield Grant		
Balance unspent at beginning of year	143 182	143 182

uBuhlebezwe Local Municipality

(Registration number KZN 434)

Trading as uBuhlebezwe Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
25. Government grants and subsidies (continued)		
Other	8 278	-
	151 460	143 182

Conditions still to be met - remain liabilities (see note 15).

uBuhlebezwe Local Municipality

(Registration number KZN 434)

Trading as uBuhlebezwe Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
-----------------	------	------

26. Employee related costs

Basic salaries and wages	45 353 423	42 338 505
Bonus	3 582 568	3 281 331
Medical aid - company contributions	828 010	2 542 419
UIF	420 469	353 442
Other payroll levies	18 534	44 077
Leave pay provision charge	739 830	1 801 958
Pension	6 966 937	6 451 184
Travel, motor car, accommodation, subsistence and other allowances	1 549 012	1 526 924
Overtime payments	1 616 050	2 231 119
Long-service awards	341 798	393 000
Housing benefits and allowances	74 191	18 322
Post Retirement Obligation	457 821	1 351 000
Other employee related costs	135 229	-
	62 083 872	62 333 281

Remuneration of Municipal Manager

Annual Remuneration	958 638	965 054
Performance Bonuses	169 185	169 185
Contributions to UIF, Medical and Pension Funds	131 830	153 046
Other	189 077	150 842
	1 448 730	1 438 127

Remuneration of Chief Finance Officer

Annual Remuneration	639 891	523 547
Acting allowance	7 683	-
Contributions to UIF, Medical and Pension Funds	39 826	4 169
Other	203 574	156 702
	890 974	684 418

The Chief Financial Officer resigned during the year on 25 May 2019.

Corporate and human resources (corporate services)

Annual Remuneration	67 826	813 908
Performance Bonuses	-	130 747
Contributions to UIF, Medical and Pension Funds	10 915	82 304
Other	-	123 665
	78 741	1 150 624

The director for corporate services resigned during the year on 31 July 2018

Social Development

Annual Remuneration	590 820	393 880
Performance Bonuses	107 014	-
Contributions to UIF, Medical and Pension Funds	179 087	81 112
Other	172 297	88 441
	1 049 218	563 433

Technical Services

uBuhlebezwe Local Municipality

(Registration number KZN 434)

Trading as uBuhlebezwe Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
26. Employee related costs (continued)		
Annual Remuneration	782 063	838 493
Performance Bonuses	105 368	114 396
Contributions to UIF, Medical and Pension Funds	158 571	109 507
Other	143 481	113 459
	1 189 483	1 175 855
27. Remuneration Of Councillors		
Executive Mayor	873 579	840 313
Deputy Executive Mayor	706 990	610 693
Exco Members	1 312 747	1 408 469
Speaker	731 754	592 530
Councillors	6 557 066	6 449 679
	10 182 136	9 901 684
In-kind benefits		
The Mayor, Deputy Mayor, Speaker and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.		
The Mayor is entitled to stay at the mayoral residence owned by Council at no cost. The Executive Mayor has use of a Council owned vehicle for official duties.		
The Mayor and the Deputy Mayor each have the use of separate Council owned vehicles for official duties.		
The Mayor has three full-time bodyguards. The Deputy Mayor and speaker have two full-time bodyguards.		
28. Depreciation and amortisation		
Property, plant and equipment	18 901 577	21 041 469
Investment property	210 465	210 322
Intangible assets	268 322	18 050
	19 380 364	21 269 841
29. Impairment		
Impairments		
Property, plant and equipment	3 184 560	5 303 291
30. Finance costs		
Other interest paid	2 395	2 856
31. Provision for Bad debts		
Self help housing	-	59 808
Receivables from non-exchange	597 927	4 417 921
Bad debts written off	1 091 534	-
	1 689 461	4 477 729

uBuhlebezwe Local Municipality

(Registration number KZN 434)

Trading as uBuhlebezwe Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
32. Contracted services		
Security services	4 052 944	3 141 085
Legal fees	697 543	752 080
Valuation services	263 348	512 647
Other Contractors	923 031	696 529
Repairs and Maintenance	4 266 552	3 111 623
Catering	1 001 711	672 964
Event promoters	309 407	695 823
Plants and decorations	-	100 225
Consultants and Professional Services	2 851 041	4 240 448
Pest control and fumigation	11 087	13 287
Audit committee fees	166 149	94 772
	14 542 813	14 031 483
33. General expenses		
Mscosa Implementation and system development	1 315 659	1 611 581
Advertising	2 225 931	1 273 950
Auditors remuneration	2 191 088	1 391 515
Bank charges	217 595	212 740
Consumables	396 286	832 832
Entertainment	84 609	59 595
Road Traffic levy	2 181	5 497
Free Basic Services	790 519	1 579 541
Insurance	619 103	462 982
Operating Leases: Furniture and Office	679 112	477 443
Parking Fees	67 645	124 251
SDL	466 050	578 847
Specialised Computer Service	821 233	260 967
Fuel and oil	1 895 563	1 768 996
Postage and courier	175 290	149 244
Printing and stationery	604 247	861 125
Bursary Youth	550 176	600 000
Employment creation and assistant programme	273 800	1 132 405
Conferences and seminars	1 010 772	63 086
Software expenses	609 546	137 286
Ward Committees	882 202	735 976
Subscriptions and membership fees	764 134	674 298
Travel - local	3 346 843	2 050 187
Water and electricity	866 938	618 150
Uniforms/ Protective Clothing	775 113	806 960
Communication costs	1 827 732	1 602 333
Computer & Network extensions and internet costs	48 758	524 536
Licence and permits	127 861	158 326
Other expenses	1 159 311	916 944
	24 795 297	21 671 593

uBuhlebezwe Local Municipality

(Registration number KZN 434)

Trading as uBuhlebezwe Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
34. Cash generated from operations		
Surplus	45 247 861	20 863 594
Adjustments for:		
Depreciation and amortisation	19 380 364	21 269 841
Transfer of assets	460 657	(127 230)
Impairment deficit	3 184 560	5 303 291
Provisions	1 689 461	4 477 729
Movements in benefit assets and liabilities	(1 421 000)	1 351 000
Other non-cash items	-	3 029 850
Changes in working capital:		
Inventories	788 348	189 161
Receivables from exchange transactions	(3 266 921)	(981 320)
Trade receivables from non exchange transactions	(11 099 149)	(3 406 496)
Prepayments	675 156	(301 341)
Payables from exchange transactions	14 633 802	13 274 786
VAT	302 774	(11 253 745)
Unspent conditional grants and receipts	122 039	-
	70 697 952	53 689 120

35. Financial instruments disclosure

Categories of financial instruments

2019

Financial Assets

	At amortised cost	Total
Trade and other receivables from exchange transactions	8 900 759	8 900 759
Other receivables from non-exchange transactions	14 628 949	14 628 949
Cash and cash equivalents	155 437 958	155 437 958
	178 967 666	178 967 666

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	32 459 478	32 459 478

2018

Financial assets

	At amortised cost	Total
Prepayments	675 156	675 156
Trade and other receivables from exchange transactions	4 602 892	4 602 892
Other receivables from non-exchange transactions	3 740 600	3 740 600
Consumer debtors	675 156	675 156
Cash and cash equivalents	102 277 331	102 277 331
Interest	35 542 736	35 542 736
	147 513 871	147 513 871

Financial liabilities

uBuhlebezwe Local Municipality

(Registration number KZN 434)

Trading as uBuhlebezwe Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
35. Financial instruments disclosure (continued)		
	At amortised cost	Total
Trade and other payables from exchange transactions	23 536 041	23 536 041
36. Commitments		
Authorised capital expenditure		
Already contracted for but not provided for		
• Infrastructure	17 508 038	5 342 619
• Community property	6 643 430	1 654 906
• Buildings	36 528 527	25 327 427
	60 679 995	32 324 952
Total capital commitments		
Already contracted for but not provided for	60 679 995	32 324 952
Authorised operational expenditure		
Already contracted for but not provided for		
• Operating expenditure	15 246 759	2 347 978
Total operational commitments		
Already contracted for but not provided for	15 246 759	2 347 978
Total commitments		
Total commitments		
Authorised capital expenditure	60 679 995	32 324 952
Authorised operational expenditure	15 246 759	2 347 978
	75 926 754	34 672 930

This committed expenditure relates to property and will be financed by available bank facilities, retained surpluses, and grants.

37. Contingencies

Contingent liabilities

There were no contingent liabilities as at 30 June 2019

Contingent assets

There were no contingent assets as at 30 June 2019.

38. Related parties

There were no related party transactions in the current financial year.

uBuhlebezwe Local Municipality

(Registration number KZN 434)

Trading as uBuhlebezwe Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
-----------------	------	------

39. Key source of estimation, uncertainty and judgments

Property, plant and equipment

- Useful live and residual values of property, plant and equipment
- Recoverable amount of property plant and equipment
- Present value of defined benefit obligations
- Provision for doubtful debts
- Determining the collectable amount traffic fines issued
- Valuation of properties for the purposes of rates billing.

40. Going concern

We draw attention to the fact that at 30 June 2019, the municipality had an accumulated surplus of 439 304 167 and that the municipality's total assets exceed its liabilities by 439 677 954.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

41. Risk management

Financial risk management

Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	2019	2018
Cash and cash equivalents	155 443 117	102 395 778
Investments	-	32 547 736
Trade and other receivables	9 192 415	5 968 297
Receivables from non exchange transactions	12 026 385	2 558 487

42. Events after the reporting date

Management is not aware of any events that occurred post balance sheet date identified during the year.

43. Fruitless and wasteful expenditure

Opening balances	110 787	107 931
Interest	2 395	2 856
	113 182	110 787

uBuhlebezwe Local Municipality

(Registration number KZN 434)

Trading as uBuhlebezwe Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
-----------------	------	------

43. Fruitless and wasteful expenditure (continued)

Fruitless and wasteful expenditure in the current year relates to interest charged by Eskom.

44. Irregular expenditure

Opening balance	12 658 045	581 321
Add: Irregular Expenditure - current year	580 000	12 076 724
	13 238 045	12 658 045

Analysis of expenditure awaiting condonation per age classification

Current year	580 000	12 076 724
Prior years	12 658 045	581 321
	13 238 045	12 658 045

Details of irregular expenditure condoned

	Condoned by (condoning authority)	
This amount relates to the prior irregular expenditure which was sent MPAC and Council for condonement	Relates to 2016/2017	581 321
		<hr/>

uBuhlebezwe Local Municipality

(Registration number KZN 434)

Trading as uBuhlebezwe Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
-----------------	------	------

45. Prior period errors

The correction of the error(s) results in adjustments as follows:

Statement of Financial Position	Amount previously reported	Adjustment	Reclassification	Total
			on	
Trade receivable from non-exchange transactions	2 558 487	937 079	-	3 495 566
Cash and cash Equivalents	102 395 778	(118 447)	-	102 277 331
Trade receivables from exchange transactions	5 968 297	(45 482)	-	5 922 815
Investments	32 547 736	(5 000)	-	32 542 736
Inventory	2 346 190	(2 368)	-	2 343 822
Payables from exchange transactions	28 799 622	(5 263 581)	-	23 536 041
Intangible assets	1 105 036	(11 643)	-	1 093 393
Accumulated Surplus	385 889 162	4 509 442	-	390 398 604
	561 610 308	-	-	561 610 308

Statement of Financial Performance	Amount previously reported	Adjustment	Reclassification	Total
			n	
Property Rates	12 744 064	937 079	-	13 681 143
Contracted services	15 349 679	-	(1 318 196)	14 031 483
General expenditure	19 761 814	-	1 909 779	21 671 593
Employee Costs	62 912 128	-	(578 847)	62 333 281
Depreciation	21 270 935	(1 094)	-	21 269 841
	132 038 620	935 985	12 736	132 987 341

46. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription / fee	72 462	675 156
Amount paid - current year	(72 462)	(675 156)
	-	-

Audit fees

Current year subscription / fee	2 191 088	1 391 514
Amount paid - current year	(2 191 088)	(1 391 514)
	-	-

PAYE, UIF & Skills

Current year subscription / fee	9 791 885	9 484 993
Amount paid - current year	(9 791 885)	(9 484 993)
	-	-

uBuhlebezwe Local Municipality

(Registration number KZN 434)

Trading as uBuhlebezwe Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
-----------------	------	------

46. Additional disclosure in terms of Municipal Finance Management Act (continued)

Pension and Medical Aid Contributions

Current year subscription / fee	13 151 532	10 830 557
Amount paid - current year	(13 151 532)	(10 830 557)
	-	-

VAT

VAT receivable	5 300 118	4 602 892
VAT payable	-	-
	5 300 118	4 602 892

VAT output payables and VAT input receivables are shown in note .

All VAT returns have been submitted by the due date throughout the year.

Supply chain management regulations

Section 36 deviations	417 415	308 511
-----------------------	---------	---------

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the Council and includes a note to the annual financial statements.

Deviations from the tender stipulations in terms of the municipality's Supply Chain Management Policy were presented to the Executive Committee, which condoned the various cases.